

**Top Secret 217**

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday July 14, 1977      CG NIDC 77-162C



**NATIONAL SECURITY INFORMATION**

Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Thursday, July 14, 1977.

The NID Cable is for the purpose of informing senior US officials.

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SPAIN: New Government Program

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[ ] Spanish Prime Minister Adolfo Suarez outlined on Monday a government program that pre-empts leftist positions on most of the significant issues facing Spain today. The new government's clear commitment to dialog and the opposition's apparent intention to react responsibly augur well for the immediate future. Labor is likely to be the major stumbling block; even if the opposition parties are won over, they may be hard put to convince the workers to accept the austerity measures that are a key part of the package.

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[ ] Suarez has again stressed his willingness to negotiate with all representative parties. Even before announcing the broad outline of his new government's program on Monday, he consulted with Socialist leader Felipe Gonzalez. On Tuesday, he met with Santiago Carrillo and other leaders of the Communist Party.

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[ ] Felipe Gonzalez told reporters that the new program, including the currency devaluation of 20 percent, was acceptable. Pointing out that many of the government's proposals coincided with Socialist demands, he observed wryly that in fact, "some points sound like what we said during the election campaign."

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[ ] Carrillo praised Suarez for involving the opposition in the process of determining policy and said his party would definitely be able to support some of the measures outlined. He added that Suarez had seemed receptive to some of his own suggestions for social reforms and long-range economic planning.

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[ ] In addition to the important economic proposals, Suarez' program coopts the left on a series of pressing political issues. The government announced its intention to:

--Submit as quickly as possible a draft constitution and consult fully on its details with all parties represented in parliament.

--Open the door, pending revision of the constitution, to a measure of autonomy for all regions, devolving as much power as possible under current law to the provincial councils.

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--Begin administrative decentralization and democratization immediately.

--Hold municipal elections before the end of the year.

25X1 [ ] The government also indicated that it would apply soon for full Spanish membership in the EC--a move that enjoys popular support--and that it favors a debate in parliament on the merits of joining NATO. The left opposes membership in NATO but has stated that it would accept a democratic decision by parliament.

25X1 [ ] Criticism of Suarez' program has centered primarily on its vagueness, particularly in such crucial areas as wage and price controls--an area presumably left open for negotiation with the opposition. Wage restraint is a highly sensitive issue and its resolution may determine the success or failure of the economic program.

25X1 [ ] In an effort to obtain a commitment from labor to hold down wage demands, Suarez will probably hold out to the unions various benefits hinted at in his program outline--higher unemployment compensation, measures to reduce unemployment, and reform of the social security service.

25X1 [ ] Labor will need considerable inducement to accept restraints on the annual wage hikes--often in excess of 25 percent--that have become customary as successive governments have sought to deal with labor unrest by buying off the workers.

25X1 [ ] The three major unions--the Socialist General Union of Workers, the Communist-dominated Workers Commissions, and the socialist-oriented Workers Syndical Union--earlier this month rejected the possibility of a formal "social pact" with the government, although they left open the possibility of negotiating more limited agreements. The unions are leery of a pact in part because they lack the discipline to make it stick.

25X1 [ ] Union membership appears to be increasing rapidly, but probably not much more than 5 percent of the 13 million workers are now organized. In the wake of their recent legalization, the major unions are now competing fiercely for membership, and are concerned that open cooperation with the government will make them less attractive to many workers than the more radical organizations that advocate labor militancy. [ ]

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## PERU: Economic Team Resigns

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*[redacted] //The Peruvian government probably will relax its new economic austerity program, which has provoked violent protests and the resignations of several top economic policy-makers. A move to ease the austerity measures may jeopardize negotiations for a badly needed loan from the International Monetary Fund to finance Peru's current-account deficit and debt repayment obligations this year. The president of the central bank was among those to resign early this week because of strong opposition among key cabinet ministers to the program; last week the finance minister resigned for the same reason.//*

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*[redacted] The austerity program, which was implemented last month, was designed to comply with IMF loan conditions. The \$50-million to \$100-million IMF loan is also a prerequisite for \$300 million in loans from foreign banks.*

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*[redacted] The austerity measures have triggered violent protests among students and workers that have resulted in at least five deaths, scores of injured, and hundreds of arrests.*

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*[redacted] Several cabinet ministers--led by Minister of Industry and Tourism General Ibanez O'Brien--believe that the austerity program has reached the limit of public tolerance. They also view IMF loan conditions as an infringement on Peru's economic sovereignty.*

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*[redacted] The new minister of economy and finance, General Alcibiades Saenz, has promised to announce modifications in the austerity program within 10 days. Saenz probably will relax restrictions on public expenditures, increase the growth of the money supply, and discontinue periodic currency devaluations. To appease students and workers, Saenz may also reintroduce limited food subsidies and perhaps call for a partial rollback in petroleum and transportation prices.*

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[ ] //The new economic team almost surely will press for much easier conditions from the IMF, citing the recent violence as evidence of the unacceptable social costs of current IMF demands. If the Peruvians fail to negotiate the IMF loan agreement, they will receive no balance-of-payments loans from private foreign banks.//

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[ ] //If Lima is to maintain its stated policy of avoiding default on any portion of its \$900-million debt service obligations due this year, it will have to slash imports by as much as 25 percent below the depressed 1976 level. Import cuts and increased public spending would likely double inflation to over 100 percent, and create additional problems for the new team and perhaps another round of public protest.// [ ]

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#### YUGOSLAVIA-USSR: Admiral Mamula

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[ ] *The USSR's desire to obtain additional access to Yugoslav ship repair facilities will probably be raised with Yugoslav Admiral Mamula, assistant federal secretary of national defense for naval affairs, who is visiting the Soviet Union this week. The visit reciprocates one made by Fleet Admiral Gorshkov, commander in chief of the Soviet navy, to Yugoslavia last August.*

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[ ] The Soviets reportedly sought additional repair and maintenance facilities for ships of their Mediterranean squadron during official visits to Yugoslavia last year by party leader Brezhnev and Admiral Gorshkov. Although the Yugoslavs apparently resisted those pressures for increased Soviet access to Yugoslav ports, the Soviets have probably not given up.

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[ ] Other naval matters Admiral Mamula is likely to discuss with the Soviets include requests for assistance to the Yugoslav submarine construction program and missiles for a new Yugoslav patrol boat. [ ]

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#### CZECHOSLOVAKIA: Dissident Activity

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[ ] *Czechoslovak dissidents have issued another document sharply critical of the Czechoslovak government, but their cause has clearly lost much of the momentum it had early in the year.*

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[ ] The latest Charter 77 release--the twelfth in a series of documents issued since the dissidents' general manifesto on human rights was issued in early January--describes cultural and literary censorship in Czechoslovakia. According to the dissident study, the authorities since 1968 have banned 350 to 400 writers from publishing. As a consequence, membership in the official writers union has fallen by more than 50 percent.

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[ ] Earlier dissident releases provided documentation on how the government engages in a wide range of politically inspired economic and social discrimination.

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[ ] The Charter 77 dissidents have tried to use periodic press releases to maintain pressure on the regime and to keep their cause in the public eye. These activities, however, have not expanded significantly the group's support beyond the intellectual circles in Prague where it originated. Many of the dissidents have been silenced by persistent official harassment and a variety of economic and social pressures.

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[ ] For the moment, the focus of Charter 77 activity appears to have shifted to Western Europe. In mid-June, one of the most prominent Czechoslovak dissidents, former party secretary Zdenek Mlynar, took up exile in Austria with his wife and child.

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[ ] Since his arrival in Austria, Mlynar has carried the Charter 77 standard in Western Europe by helping to launch a White Paper on Czechoslovakia, reportedly to be sent to all participants in the 1975 Helsinki conference. Mlynar also met recently with Italian Communist leaders to help bolster the Czechoslovak dissidents' claim that, despite their criticism of the Husak regime, they are good Communists. [ ]

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